

Message Text

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FM AMEMBASSY JAKARTA

TO FRANCIS C SCHAFER ARKEL INTERNATIONAL INC BATON ROUGE

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GUS ABERLE LANG ENGINEERING CORPORATION CORAL GABLES

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UNCLAS JAKARTA 5601

E.O. 11652: N/A

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SUBJ: MAJOR PROJECT: TENDER FOR SIX BKU/PNP SUGAR MILLS

1. PURSUANT YOUR DESIRE MEET INDONESIAN GOVERNMENT OFFICIALS REGARDING SUGAR TENDER, AMBASSADOR NEWSOM MET WITH NUMBER OF SENIOR GOI OFFICIALS AND SECURED MINISTER OF PLANNING AND NATIONAL ECONOMY WIDJOJO'S COMMITMENT AUTHORIZE APPROPRIATE GOI PERSONNEL MEET WITH AMERICAN FIRMS. EMBASSY NOW ATTEMPTING TO CONTACT SALEH AFFIF OF BAPPENAS TO ARRANGE SUCH MEETINGS.

2. DESPITE GOI RESERVATIONS CONCERNING EXIM FINANCING AND APPARENT U.S. PRICE DISADVANTAGE, AMBASSADOR PURSUASIVELY ARGUED THAT U.S. BIDDERS FELT THEY COULD DEMONSTRATE THAT OTHER FACTORS IN THEIR PROPOSALS WOULD MAKE THEM COMPETITIVE IF EVALUATED ON COMPARABLE BASIS. AMBASSADOR FURTHER ARGUED THAT IN ORDER FOR U.S. FIRMS EXPLAIN THESE TECHNICAL FACTORS AND SATISFY THEMSELVES THAT THEIR PROPOSALS WERE EVALUATED ON COMPARABLE BASIS, U.S. FIRMS NEEDED OPPORTUNITY MEET WITH INDONESIAN OFFICIALS. AS RESULT THESE ARGUMENTS, MINISTER WIDJOJO AGREED GRANT U.S. BIDDERS A HEARING. HOWEVER, UNCLEAR AT THIS POINT EXACT SHAPE MEETING MAY TAKE. CERTAINLY WE CANNOT ASSUME IT WILL NECESSARILY COMMENCE
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NEGOTIATIONS. IT MORE LIKELY THAT U.S. BIDDERS WILL SIMPLY BE GIVEN OPPORTUNITY SUPPORT CONTENTION THAT THEY SHOULD BE GIVEN SERIOUS CONSIDERATION DESPITE APPARENT SURFACE PRICE AND FINANCING DISADVANTAGES.

3. THUS IN VIEW ADVANCED STAGE INDONESIAN EVALUATION THIS TENDER, AND PURPORTED TENTATIVE COMMITMENT TO EUROPEAN COMPETITORE. U.S. FIRMS WILL NEED NOT ONLY DEMONSTRATE THEY ARE IN COMPETITIVE RANGE, BUT THAT THEY CAN OFFER CLEAR-CUT COST SAVINGS ADVANTAGE OVER EUROPEAN COMPETITORS. MOREOVER, SINCE BKU/PNP TECHNICAL EVALUATION TEAM NOW DISBANDED, U.S. FIRMS MAY BE FORCED TO MAKE THEIR PITCH, AT LEAST INITIALLY, TO NON-TECHNICAL PERSONNEL (PROBABLY SALEH AFFIF AND BAPPENAS STAFF), WHO TEND FOCUS PRIMARILY ON SURFACE BOTTOM LINE PRICE CTOR. ONLY IF U.S. BIDDERS COME PREPARED TO PURSUADE THESE NON-TECHNICAL OFFICIALS DURING INITIAL MEETING THAT U.S. HAS DEMONSTRATABLE COMPETITIVE ADVANTAGE CAN WE BE CONFIDENT THAT MORE DETAILED TECHNICAL MEETINGS WILL ULTIMATELY BE ARRANGED. EMBASSY THEREFORE URGES U.S. FIRMS PREPARE FIGURES GRAPHICALLY SHOWING U.S. PRICE ADVANTAGE FOR PROPOSAL COMPARABLE TO THAT SUBMITTED BY EUROPEANS. THESE HYPOTHETICAL FIGURES CAN SERVE AS BASE STARTING POINT FOR SHOWING INCREMENTAL COSTS REQUIRED FOR MORE COMPREHENSIVE U.S. PROPOSAL.

4. U.S. APPROACH DURING MEETING SHOULD BE ENTIRELY FACTUAL AND HIGHLY CONCILIATORY. WE WILL INFORM YOU AS SOON AS WE HAVE MORE DEFINITE INFORMATION ON MEETING ARRANGEMENTS. RECOMMEND YOUR REPRESENTATIVES ARRIVE EARLY ENOUGH PERMIT PRELIMINARY CONSULTATION WITH EMBWSSY BEFORE GOI MEETING.
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